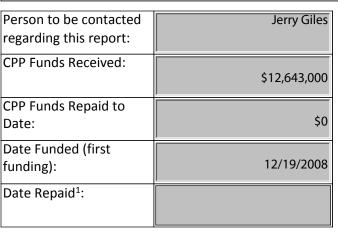
## **ANNUAL USE OF CAPITAL SURVEY - 2009**

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

## Community Financial Corporation



RSSD:	
For Bank Holding Companies)	
Holding Company Docket Number:	
For Thrift Holding Companies)	H2750
FDIC Certificate Number:	
For Depository Institutions)	30417
City:	
	Staunton
State:	\ <i>p</i>
	Virginia

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

	million.



<sup>&</sup>lt;sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

	To the extent the funds supported increased lending, please describe the	The increase in loan balances was due primarily to increases in Commercial Real Estate (\$13.5 million), Home equity (\$5.9 million), Commercial and Industrial (\$4.3 million) and Construction & Development (\$3.3 million).
	major type of loans, if possible	bevelopment (\$3.3 million).
	(residential mortgage loans, commercial	
	mortgage loans, small business loans,	
	etc.).	
	Increase securities purchased (ABS, MBS,	
	etc.).	
_	Make other investments	
	wake other investments	
$\overline{x}$	Increase reserves for non-performing	The allowance for loan losses increased \$3.5 million from December 31, 2008 to December 31, 2009.
	assets	, , , , , , , , , , , , , , , , , , , ,

$\overline{X}$	Reduce borrowings	At the time we received funds from the CPP we had a holding company loan of \$3.0 million. In
		accordance with the agreement with our primary regulator we repaid \$2.0 million initially from the CPP funds and continue to repay \$125,000 quarterly. We have repaid a total of \$2,750,000.
		CPP funds and continue to repay \$125,000 quarterly. We have repaid a total of \$2,750,000.
	Increase charge-offs	
	lincrease charge-ons	
	Purchase another financial institution or	
	purchase assets from another financial	
	institution	
	Held as non-leveraged increase to total	
	capital	
	Capital	

What actions were you able to avoid because of the capital infusion of CPP funds?				
After recording an Other Than Temporary Impairment charge in September, 2008 on its Fannie Mae and Freddie Mac preferred stock became less than "well capitalized". After receiving the CPP funds in December, 2008 the Bank returned to a "well capitalized" status more significant increase in FDIC premiums.	the Bank and avoided a			

nad discussions wi	th our regulators during key strategy in returning	the period when we we	re less than well capit	calized in regard to hor	w we would return to a v	vell
funds we improve	d our safety and soundne	ess standing and we we	ere able to increase ou	ir lending and meet th	ne credit needs of the	ig ti
munities we serve						

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.				

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.